

1 ROBERT E. OPERA – California State Bar No. 101182
2 ropera@wcghlaw.com
3 **WINTHROP COUCHOT**
4 **GOLUBOW HOLLANDER, LLP**
5 1301 Dove Street, Suite 500
6 Newport Beach, CA 92660
7 Telephone: (949) 720-4100/Facsimile: (949) 720-4111

8 STEPHEN R. HARRIS – Nevada State Bar No. 001463
9 steve@harrislawreno.com
10 **HARRIS LAW PRACTICE LLC**
11 6151 Lakeside Drive, Suite 2100
12 Reno, NV 89511
13 Telephone: (775) 786-7600

14 [Proposed] General Insolvency Counsel
15 for Debtor and Debtor-in-Possession

16 **UNITED STATES BANKRUPTCY COURT**
17 **DISTRICT OF NEVADA**

18 In re:

19 X-TREME BULLETS, INC., a Nevada
20 corporation,

21 Debtor and
22 Debtor-in-Possession.

Case No. 18-50609-btb

Chapter 11 Proceeding

**DECLARATION OF DAVID C. HOWELL
IN SUPPORT OF DEBTOR'S MOTION
FOR ORDER AUTHORIZING JOINT
ADMINISTRATION OF RELATED
CHAPTER 11 CASES**

[11 U.S.C. § 105; Fed. R. Bankr. P. 1015;
LR 1015(g) and 3001(c)]

DATE:

TIME:

EST. TIME FOR HEARING:

PLACE: Courtroom 2 (5th Floor)
C. Clifton Young Federal Bldg.
300 Booth Street
Reno, NV 89509

DECLARATION OF DAVID C. HOWELL

I, David C. Howell, declare and state:

1. The following matters are within my own knowledge and, if called as a witness, I could and would competently testify thereto.

2. This declaration is offered in support of the Motion for Order Authorizing Joint Administration of Related Case; Memorandum of Points and Authorities ("Motion") filed by X-Treme Bullets, Inc., a Nevada corporation. Capitalized terms not defined herein have the same meaning ascribed in the Motion.

3. On June 8, 2018, the Related Debtors filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code.

4. I am the principal of each of the Related Debtors. I own 95% of the issued and outstanding shares of stock in Howell Munitions & Technology, Inc. ("HMT"). HMT, in turn, is the sole shareholder of the following Related Debtors: X-Treme Bullets, Inc. ("X-Treme"); Clearwater Bullet, Inc. ("Clearwater"); Ammo Load Worldwide, Inc. ("ALW"); and Howell Machine. HMT owns 100% of the membership interests in Freedom Munitions, LLC ("Freedom"). I own 100% of the membership interests in Lewis-Clark Ammunition Components, LLC ("LCAC"), and 90% of the membership interests in Components Exchange, LLC ("Components Exchange").

5. A description of each of the Related Debtors and its operations is set forth hereinbelow.

- a. HMT. HMT is the parent company of Related Debtors X-Treme, Clearwater, ALW, Howell Machine and Freedom. While Related Debtors X-Treme, Clearwater, ALW, Howell Machine and Freedom are legal entities separate from HMT, such Related Debtors have operated at all times on a consolidated basis.
- b. X-Treme. X-Treme is a Nevada corporation located in Carson City, Nevada. X-Treme is in the business of manufacturing bullets. X-Treme's bullets are sold to wholesale customers and to online customers via the xtremebullets.com website. X-Treme holds a federal license to manufacture ammunition. X-Treme operates

1 from two buildings located in Carson City, Nevada, both of which are leased by
2 HMT, and one of which is owned by me.

3 c. Clearwater. Clearwater is in the business of manufacturing bullets. Clearwater's
4 bullets are sold to wholesale customers and to online customers via the
5 xtremebullets.com website. Clearwater operates from a facility located in
6 Lewiston, Idaho which is leased by HMT from me.

7 d. ALW. ALW is in the business of manufacturing ammoload machines and other
8 machines for resale to third-party customers. ALW operates in Lewiston, Idaho
9 from buildings leased by HMT from me.

10 e. Howell Machine. Howell Machine is in the business of fabricating parts that are
11 used to build the ammoload machines manufactured by ALW and to maintain the
12 other machinery and equipment owned by the other Related Debtors. Howell
13 Machine shares with ALW facilities in Lewiston, Idaho leased by HMT from me.

14 f. Freedom. Freedom is in the business of selling ammunition. Freedom sells its
15 products online via the freedommunitions.com website. Freedom also had a retail
16 location in Houston, Texas that sold ammunition, but that location recently was
17 closed.

18 g. LCAC. LCAC is an Idaho limited liability company, but no longer conducts
19 business operations. LCAC still owns machinery and equipment.

20 h. Components Exchange. Components Exchange manufactures and assembles
21 ammunition, and sells its ammunition and components to wholesale, original
22 equipment manufacturers and online customers via its ammovalley.com and
23 reloadingvalley.com websites. Components Exchange operates in Peck, Idaho
24 from buildings leased from me.

25 6. In 2016, the Related Debtors started having financial difficulties. The causes of
26 the Related Debtors' financial difficulties include the following:

27 a. Expansion of Operations. In 2016, the Related Debtors were expanding rapidly
28 with the purchase of two case manufacturing machines and the building of

1 supplemental machines to complete the case manufacturing process. The Related
2 Debtors also were building ammolading machines and other machines to enhance
3 operations. The substantial cash outlays made by the Related Debtors in this
4 regard proved to be a strain on the Related Debtors' liquidity

5 b. Decline in Ammunition Marketplace. In 2016, the Related Debtors built up
6 inventory in anticipation that Hillary Clinton would win the presidential election in
7 2016 (i.e., purchases of guns and ammunition generally increase during the
8 administrations of Democratic presidents based upon some gun owners' concerns
9 that Democratic administrations will impose stricter gun control laws). Other
10 ammunition manufacturers similarly built increased inventories in anticipation of
11 Ms. Clinton's winning the 2016 presidential election. When President Trump was
12 elected, the demand for ammunition in the marketplace decreased significantly.
13 With an oversupply of ammunition in the marketplace, the price of ammunition
14 declined significantly.

15 c. Employment of New President. In January 2017, the Related Debtors hired Jansen
16 Jones to serve as the president of the Related Debtors. Mr. Jones proved to be an
17 unsatisfactory president. Mr. Jones resigned on or about February 18, 2018.

18 d. Thus, commencing in 2016, and in 2017, the Related Debtors were overburdened
19 with debt based upon a ramping up of the Related Debtors' operations, had too
20 much manufacturing capacity, and faced a declining market and declining prices
21 for their ammunition products. As a result, in 2017, the Related Debtors were
22 unprofitable and experienced significant cash flow difficulties.

23 7. Zions First National Bank ("Bank") is the primary pre-petition secured lender for
24 all Related Debtors except Components Exchange. On or about November 19, 2014, the Bank
25 advanced a revolving loan and four term loans to all Related Debtors (except Components
26 Exchange), to two-non debtor entities, Twin River Contract Loading, Inc., and Big Canyon
27 Environmental, LLC, and to me (collectively, "Borrowers"). On or about July 27, 2015, the Bank
28 advanced a fifth term loan to the Borrowers. Components Exchange was not a borrower under

1 any of such loans, but, on or about August 31, 2016, Components Exchange granted to the Bank a
2 security interest encumbering its assets in order to provide additional collateral to the Bank.

3 8. In 2016, the Borrowers failed to comply with certain financial covenants contained
4 in the Bank loan agreements. Moreover, the revolving loan became due on July 27, 2016, and the
5 Bank declined to extend the revolving loan. The Bank alleges an outstanding balance owed by
6 the Borrowers in the approximate amount of \$16.7 million.

7 9. The Borrowers acted diligently to address their financial difficulties. In 2017, the
8 Borrowers downsized their businesses. The Borrowers liquidated a significant amount of their
9 inventory in order to generate cash. The Borrowers also undertook two significant reductions in
10 their workforces, and reduced other operating expenses, in order to attempt to return to
11 profitability.

12 10. In addition, in 2017, the Borrowers worked with Cascadia Capital to raise debt or
13 equity funding. However, since the ammunition market was oversaturated with supply and prices
14 in the ammunition market were depressed, the only proposals that were obtained from potential
15 funding sources were deemed to be unsatisfactory.

16 11. In or about April 2018, the relationship between the Borrowers and the Bank
17 deteriorated. In or about April 2018, the Bank demanded that I step aside as president or
18 managing member of the Borrowers, and that a chief restructuring officer be appointed to manage
19 the business of the Borrowers. The Bank rejected a proposed chief restructuring officer proposed
20 by the Borrowers, and required that the Borrowers consent to the appointment of the chief
21 restructuring officer dictated by the Bank, or the Bank would pursue its legal remedies against the
22 Borrowers. Based upon the Bank's threats, the Borrowers believed that they had no choice but to
23 employ the chief restructuring officer demanded by the Bank, and so, on or about April 20, 2018,
24 the Borrowers executed that Chief Restructuring Officer Agreement ("CRO Agreement")
25 required by the Bank. In accordance with the provisions of the CRO Agreement, I agreed to step
26 aside as president or managing member of the Borrowers, and CFO Solutions LLC was appointed
27 to act as chief restructuring officer of the Borrowers ("Bank-Appointed CRO").
28

1 12. I on behalf of the Related Debtors believe that the CRO Agreement is
2 extraordinarily overreaching and reflects a wrongful attempt by the Bank to exercise control over
3 the Borrowers. I on behalf of the Related Debtors believe that the Bank-Appointed CRO is a
4 financial consultant, and that, upon the Bank-Appointed CRO's appointment, the Bank-
5 Appointed CRO had no knowledge of the Related Debtors, the Related Debtors' business
6 operations or the Related Debtors' industry. Nevertheless, the Bank-Appointed CRO took also
7 immediately after his appointment acts to change dramatically the Related Debtors' operations,
8 such as by closing business operations, terminating employees and pursuing sales of assets,
9 without evaluating adequately the consequences of such acts on the Related Debtors' enterprise
10 value. Notwithstanding the Bank-Appointed CRO's lack of any meaningful knowledge of the
11 Related Debtors' business or the Related Debtors' industry, the Bank-Appointed CRO has not
12 employed me, nor even consulted in any meaningful manner with me regarding the operations of
13 the Related Debtors despite the fact that I founded the Related Debtors and have a substantial
14 amount of knowledge regarding the financial affairs of the Related Debtors and the Related
15 Debtors' industry.

16 13. The acts taken by the Bank-Appointed CRO have impaired substantially the
17 operations of the Related Debtors and have devalued the assets of the Related Debtors. The
18 Bank-Appointed CRO has alienated major customers of the Related Debtors and key employees
19 of the Related Debtors. In effect, the Bank-Appointed CRO has acted to liquidate, in a negligent
20 and imprudent manner, the Related Debtors' assets for the benefit of the Bank-Appointed CRO's
21 "benefactor" in this case, the Bank, to the detriment of the Related Debtors and the Related
22 Debtors' other creditors.

23 14. By reason of the negligent and ill-advised acts taken by the Bank-Appointed CRO,
24 substantial damage has been done to the operations of the Related Debtors. I on behalf of the
25 Related Debtors believe that, if the Bank-Appointed CRO were allowed to continue to manage
26 the Related Debtors' financial affairs, the viability of the Related Debtors would be impaired
27 greatly, if not destroyed, with substantial and irrevocable injury being caused to the Related
28 Debtors and their creditors.

1 15. I on behalf of the Related Debtors believe that the Bank-Appointed CRO and the
2 Bank, acting in concert, took control of the Related Debtors and were acting to liquidate the
3 Related Debtors' assets for substantially less than the value of the Related Debtors' assets, for the
4 benefit of the Bank, but to the severe detriment of the Related Debtors and the Related Debtors'
5 other creditors. Accordingly, in order to protect and preserve the value of the Related Debtors'
6 assets for the benefit of the Related Debtors' creditors, on June 7, 2018, the Related Debtors
7 terminated the employment of the Bank-Appointed CRO and reappointed former senior
8 management, led by me as president of the corporate Related Debtors and me as managing
9 member of the limited liability company Related Debtors.

10 16. In addition, the Related Debtors have engaged J. Michael Issa of GlassRatner
11 Advisory & Capital Group, LLC, a very experienced financial turnaround expert with knowledge
12 of the Related Debtors' industry, as Chief Restructuring Officer to manage the Related Debtors'
13 reorganizations and to administer the Related Debtors' Chapter 11 cases. I understand and
14 believe that Mr. Issa has served as a financial consultant or advisor or in other capacities in more
15 than 100 Chapter 11 cases, has acted as a chief restructuring officer or as a trustee in a number of
16 Chapter 11 cases, and that he is very capable of leading the Related Debtors' efforts to reorganize
17 their financial affairs for the benefit of all of the Related Debtors' creditors.

18 17. I understand that numerous similar, if not identical, applications, hearings and
19 orders will be involved in these cases. Joint administration will avoid wasting resources, which
20 would result though duplication of effort if the cases involving the Related Debtors were to
21 proceed separately.

22 18. I understand and believe the Related Debtors' creditors stand to benefit from the
23 increased efficiency of administration anticipated through joint administration because they will
24 not be forced to review and separately respond to substantially similar applications, motions,
25 complaints, and other pleadings that would otherwise be filed in separate cases. Moreover, joint
26 administration will permit each of the Related Debtors to respond more efficiently to the demands
27 of their creditors, and will reduce attorneys' fees, copying costs, mailing costs and other costs of
28 administering the cases.

19. Attached hereto as Exhibit "1" and incorporated herein by this reference is the form of case caption to be used in the jointly administered cases.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge.

Executed this 8th day of June 2018.

/s/ David C. Howell

David C. Howell

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EXHIBIT 1

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2 ropera@wcghlaw.com
3 **WINTHROP COUCHOT**
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16 **UNITED STATES BANKRUPTCY COURT**
17 **DISTRICT OF NEVADA**

18 In re:

- 19 ☐ X-TREME BULLETS, INC.,
20 a Nevada corporation,
21 ☐ AMMO LOAD WORLDWIDE, INC.,
22 an Idaho corporation,
23 ☐ CLEARWATER BULLET, INC.,
24 an Idaho corporation,
25 ☐ FREEDOM MUNITIONS, LLC,
26 an Idaho limited liability company,
27 ☐ HOWELL MACHINE, INC.,
28 an Idaho corporation,
☐ HOWELL MUNITIONS &
TECHNOLOGY, INC.,
an Idaho corporation,
☐ LEWIS-CLARK AMMUNITION AND
COMPONENTS, LLC,
an Idaho limited liability company,
☐ COMPONENTS EXCHANGE, LLC, an
Idaho limited liability company,
☐ All Debtors.

Debtors and
Debtors-in-Possession.

Jointly Administered under
Case No. 18-50609-btb with

Case Nos. 18-50610-btb; 18-50611-btb;
18-50613-btb; 18-50614-btb; 18-50615-btb;
18-50616-btb; and 18-50617-btb

Chapter 11 Proceedings

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DATE:

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